

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06
SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 PA-02 PRS-01 /105 W
-----081050Z 111938 /16

P R 080820Z JUN 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 8438
TREASURY DEPT WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMCONSUL HONG KONG

UNCLAS SECTION 1 OF 2 TOKYO 8480

PARIS ALSO FOR US MISSION OECD

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS -- JUNE 2-8

1. SUMMARY: JAPAN'S GNP, ON STRENGTH OF SURGE IN NET EXPORTS AND HEALTHY INCREASE IN FINAL DOMESTIC DEMAND, ROSE AT 10 PERCENT ANNUAL RATE IN FIRST QUARTER 1977. NEW AUTO REGISTRATIONS DECLINED AGAIN IN MAY. GROWTH IN MONETARY AGGREGATES WAS GENERALLY SLUGGISH IN APRIL WITH NARROWLY DEFINED MONEY SUPPLY RECORDING UNUSUALLY LARGE DECLINE. PACE OF INTL FINANCIAL ACTIVITY REMAINED HIGH THIS WEEK AS (A) TOKAI BANK ANNOUNCED \$52 MIL PACKAGE OF LOANS TO MALAYSIA BY CONSORTIUM OF JAPANESE AND BRITISH BANKS IN CONJUNCTION WITH WORLD BANK, (B) \$100 MIL SECOND PORTION OF JAPANESE COMMERCIAL BANK SYNDICATED LOAN TO BRAZIL WAS REPORTEDLY AGREED AND (C) WORLD BANK OFFICIAL, DURING
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VISIT TO TOKYO, GETS MOF NOD FOR BANK TO BORROW IN TOKYO AND EURO-YEN MARKET. END SUMMARY.

2. NATIONAL ACCOUNTS STATISTICS RELEASED THIS PAST WEEK SHOWED JAPAN'S REAL GNP, BUOYED BY A MARKED SURGE IN NET EXPORTS, INCREASED AT 10 PERCENT SEASONALLY ADJUSTED ANNUAL RATE IN THE FIRST QUARTER OF CY 1977. THE VERY

STRONG QUARTERLY PERFORMANCE BROUGHT THE GNP INCREASE IN FY 1976 (APRIL 76-MARCH 77) TO 5.8 PERCENT, SLIGHTLY BETTER THAN THE 5.7 PERCENT INCREASE PROJECTED BY THE GOVT. JAN-MARCH 1977 FIGURES FOR DOMESTIC SECTORS REFLECTED SOME EFFECTS OF THE GOVT'S HOUSING LOAN AND PUBLIC WORKS STIMULUS PROGRAMS ADOPTED IN LATE 1976 AND THE EARLY MONTHS OF 1977; INVESTMENT IN PRIVATE HOUSING JUMPED 7.4 PERCENT FROM THE PRIOR QUARTER AND GOVT INVESTMENT REBOUNDED FROM THE OCT-DEC DECLINE WITH A 4.7 PERCENT INCREASE. PRIVATE CONSUMPTION ROSE 1.3 PERCENT TO MARK NINTH STRAIGHT QUARTERLY INCREASE. FINAL DOMESTIC DEMAND, SEASONALLY ADJUSTED, INCREASED AT MORE THAN A 7 PERCENT ANNUAL RATE IN THE FIRST QUARTER OF 1977, A STRONG REBOUND FROM THE DECLINE OF THE PREVIOUS QUARTER. (DETAILS OF JAN-MAR 1977 AND FY 1976 NATIONAL ACCOUNTS REPORTED TOKYO 8262.)

3. NEW CAR REGISTRATIONS, SEASONALLY ADJUSTED, FELL 11.1 PERCENT IN MAY. THIS SECOND STRAIGHT MONTHLY DECLINE DROPPED AUTO REGISTRATIONS BELOW 200 THOUSAND LEVEL FOR FIRST TIME IN 1977.

	THOUSAND CARS, S.A.	PERCENT CHANGE FROM PRIOR MONTH
FEB	222.3	9.5
MAR	237.4	6.8
APR (REVISED)	219.0	MIN 7.8
MAY (PRELIM)	194.7	MIN 11.1

4. MONETARY AGGREGATES, SEASONALLY ADJUSTED, GREW SLOWLY AGAIN IN APRIL AFTER ACCELERATION IN MARCH. NARROWLY UNCLASSIFIED

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DEFINED MONEY SUPPLY, M1, REGISTERED UNUSUALLY LARGE 3 PERCENT DECLINE IN APRIL. BANK OF JAPAN (BOJ) OFFICIALS SAID THE APRIL DECLINE IN M1 MAY HAVE RESULTED IN PART FROM SHIFT TO BANK TIME DEPOSITS OR POSTAL SAVINGS PRIOR TO REDUCTION IN TIME AND SAVING DEPOSIT RATES FOLLOWING APRIL DISCOUNT RATE CUT. DURING APRIL BROADLY DEFINED MONEY SUPPLY, M2, REMAINED VIRTUALLY UNCHANGED AND MONTHLY ADVANCE IN BANK LOANS AND DISCOUNTS SLOWED TO 0.6 PERCENT. FOLLOWING TABLE ALSO SHOWS FACTORS CONTRIBUTING TO CHANGES IN M2, N.S.A., THRU MARCH (APRIL FIGURES NOT YET AVAILABLE).

MONEY AND CREDIT, SEASONALLY ADJUSTED (BIL YEN; PERCENT CHANGE FROM PRIOR MONTH IN PAREN)		
LOANS AND DIS-		
M1 (JEI 123)	M2 (JEI 126)	COUNTS (JEI 133)
FEB 53,180 (0.3)	140,703 (0.8)	99,063 (0.8)
MAR 53,991 (1.5)	142,421 (1.2)	100,083 (1.0)
APR 52,353 (MIN 3.0)	142,570 (0.1)	100,689 (0.6)
CHANGES IN M2		

(MONTHLY PERCENT CHANGE AT ANNUAL RATE, I.E. TIMES 12)

	1976		1977		
	NOV	DEC	JAN	FEB	MAR
M2, S.A.	8.0	6.8	10.6	9.8	14.5
M2, NSA	13.1	45.6	MIN 26.4	2.4	25.2

FACTORS CONTRIBUTING TO CHANGES IN M2, N.S.A.

CREDITS TO:	1976		1977		
	NOV	DEC	JAN	FEB	MAR
PRIVATE SECTOR	9.1	28.6	-2.6	3.6	13.6
NATL GOVT	9.5	0.1	-4.1	1.9	-2.5
LOCAL GOVT	-0.1	2.7	-0.6	1.9	4.9
FOREIGN ASSETS,					
NET	0.5	1.3	-2.8	1.2	2.3
OTHER	-5.9	12.9	-16.3	-6.2	6.9
TOTAL ALL FACTORS	13.1	45.6	-26.4	2.4	25.2

5. OVER THE PAST MONTH, CALL MONEY MARKET RATES HAVE BEEN UNCLASSIFIED

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CHANGED SEVRAL TIMES TO REFLECT CHANGES IN MONEY MARKET CONDITIONS. ON MAY 9 CALL MONEY BROKERS ANNOUNCED THAT CALL MONEY RATES WERE BEING REDUCED BY 0.125 PERCENTAGE POINTS; BROKERS LATER INCREASED RATES BACK BY SAME FIGURE EFFECTIVE MAY 24. EFFECTIVE JUNE 2, UNCONDITIONAL CALL MONEY RATE WAS RAISED AGAIN BY 0.125 PERCENTAGE POINTS, TO 5.375 PERCENT PER ANNUM.

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

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SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 PA-02 PRS-01 /105 W

-----081048Z 111961 /16

P R 080820Z JUN 77

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 8439

TREASURY DEPT WASHDC PRIORITY

INFO AMEMBASSY BONN

AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMCONSUL HONG KONG

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AVERAGE UNCONDITIONAL CALL MONEY RATE (JEI 179) WAS
5.182 PERCENT PER ANNUM IN MAY, A 0.688 PERCENTAGE
POINT DECLINE FROM APRIL. BILL DISCOUNT RATE REMAINED
UNCHANGED AT 5.75 PERCENT PER ANNUM THROUGHOUT MAY.

6. TOKAI BANK ANNOUNCED JUNE 6 THAT A CONSORTIUM OF
TEN JAPANESE BANKS BRITISH COMMERCIAL BANKS, AND THE
WORLD BANK WILL EXTEND LOANS TOTALING \$52 MIL TO
MALAYSIA FOR ELECTRIC POWER DEVELOPMENT. THERE IS NO
MANAGER OF THE CONSORTIUM AS A WHOLE, BUT TOKAI BANK OF
NAGOYA, JAPAN, AND MORGAN GRENFELL AND CO. OF LONDON WILL
BE CO-MANAGERS OF THE COMMERCIAL BANK PARTS OF THE LOAN
PACKAGE. THE WORLD BANK WILL PROVIDE \$22 MIL OF THE
PACKAGE AND JAPANESE BANKS REPORTEDLY WILL PROVIDE HALF
OR MORE OF THE \$30 MIL REMAINDER. THE SYNDICATED LOAN
WILL HAVE A 7-YEAR REPAYMENT PERIOD AND FLOATING INTEREST
RATES OF 1 PERCENT ABOVE PREVAILING LONDON INTER-BANK OFFER
RATE (LIBOR WAS ABOUT 6.5 PERCENT OF JUNE 7) FOR PORTION
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ON LOAN EXTENDED THRU JAPANESE BANKS. INTEREST RATE FOR
BRITISH BANKS' LOAN PORTION WILL BE ONLY 3/4 PERCENT ABOVE
LIBOR BUT TAX REGULATIONS WILL PROVIDE AN EFFECTIVE INTER-
EST RATE SIMILAR TO THAT OF JAPANESE BANKS. WORLD BANK
LOAN WILL CARRY A FIXED ANNUAL RATE OF 8.2 PERCENT. AN
UNUSUAL FEATURE OF THE LOAN PACKAGE IS A CROSS-GUARANTEE
CLAUSE WHICH STIPULATES THAT DEFAULT ON THE COMMERCIAL
BANK PORTION WILL BE CONSIDERED DEFAULT ON THE WORLD BANK
LOAN ALSO. PRESS REPORTS ALSO INDICATE 24 JAPANESE BANKS
REACHED AGREEMENT ON, AND WILL INITIAL AROUND MID-JUNE,
A \$100 MIL SYNDICATED LOAN TO BRAZILIAN STEEL
MILLS, IC. THE LOAN IS THE SECOND PART OF A \$300 MIL
COMMERCIAL LOAN AGREED BETWEEN GOVTS OF JAPAN AND
BRAZIL ON THE OCCASION OF VISIT BY BRAZILIAN PRESIDENT
ERNESTO GEISEL LAST FALL. FIRST \$100 MIL LOAN WAS
EXTENDED BY JAPAN IN DEC 1976.

7. JUNE 6 IN RESPONSE TO REQUEST BY I.P.M. CARGILL, VICE
PRESIDENT OF WORLD BANK, FOR MINISTRY OF FINANCE APPROVAL
OF IBRD YEN BOND FLOTATION, MICHIO MATSUKAWA, MOF
VICE MINISTER FOR INTL AFFAIRS, SAID MOF WILL APPROVE YEN
BOND FLOTATION TOTALING 50 BIL YEN (ABOUT \$180 MIL) BY
THE WORLD BANK THIS AUGUST. WORLD BANK REPORTEDLY PLANS

TO FLOAT SIMULTATANEOUSLY 30 BIL IN YEN BONDS IN JAPAN AND
ANOTHER 20 BIL OF YEN DENOMINATED ISSUES IN EUROMARKET
WITH DAIWA SECURITIES CO. AS MANAGING UNDERWRITER FOR
BOTH OFFERINGS. CARGILL LATER INDICATED DURING PRESS
INTERVIEW THAT WORLD BANK INTENDS TO UNDERTAKE ADDITIONAL
BORROWING IN TOKYO MARKET EARLY NEXT YEAR AND MIGHT ALSO
BORROW IN EURO-EYN MARKET IF CONDITIONS ARE PROPITIOUS.
MANSFIELD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GNP, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 08-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
Disposition Reason:
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770204-0037
Format: TEL
From: TOKYO
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770676/aaaacoob.tel
Line Count: 232
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 39421782-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2221413
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL AND ECONOMIC DEVELOPMENTS -- JUNE 2-8
TAGS: EFIN, JA
To: STATE TRSY
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/39421782-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009